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INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESES
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
REFERENCES
APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

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IMPACT OF ECONOMIC AND NON ECONOMIC VARIABLES ON CORPORATE GOVERNANCE COMPLIANCE AND DISCLOSURE PRACTICES OF LISTED AND UNLISTED DEFENCE PUBLIC SECTOR ENTERPRISES IN INDIA

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ABSTRACT

Family controlled India Inc. is yielding place to professionally managed and technocrat entrepreneur led enterprises financed by global investors who demand transparency, to protect the interests of stakeholders. The current developments in India have facilitated a positive shift towards corporate governance. The article focuses on corporate governance transparency and disclosure compliances practices, which are important to protect the interests of stakeholders, and imperative for foreign investment in Defence sector in India. The impact of economic and non-economic variables on corporate governance disclosure practices of listed and unlisted Defence Public Sector Enterprises in India, is analysed based on the legislative guidelines applicable to these units for the year 2011-12. A corporate governance disclosure index is constructed, to study the impact of economic and non-economic variables on corporate governance compliance and disclosures. The findings revealed that, with respect to compliance and disclosures, there is good governance in all DPSEs. However, there is a room for improvement in corporate governance practices, in spite of business compulsions in the present day competitive environment.

KEYWORDS

Corporate governance, compliance and disclosure in Annual reports, Corporate governance compliance and disclosure Score, Defence Public Sector Enterprises, and Legislative guidelines.

INTRODUCTION

Everywhere in the world, including the developed countries like India , governments are vying with each other to attract foreign capital. In belief, foreign capital plays a constructive role in a country's economic development, it has become even stronger since mid-1980. The experience of South East Asian Countries (1986-1995) has especially confirmed this belief and has led to a progressive reduction in regulations and restraints that could have inhibited the inflow of foreign capital.

In this direction , the present Indian Government is also focusing on attracting the foreign investment in India under the concept "Make in India". Therefore corporations' success or failure is a matter of global interest. It paved the way to highlight the need for tighter surveillance over the sheer complexity and vehemence of corporate phenomenon of modern times, which are so baffling. One can Witness the collapse of legal, audit, and bureaucratic controls over corporate governance in all most all countries like Enron Corporation and MCI Inc. (formerly WorldCom), Parmalat in Italy, Satyam Fiasco and King Fisher in India etc,. irrespective of the type of the governance model they adopted, like German model of supervisory boards or The Japanese model of shareholders' silence or the English model of permissive company law and the US model of shareholders vocalism.

The spirit of Corporate governance is as a "Check-mate" to see that fruits of the Corporate Tree are shared by all stakeholders equitably and not definitely to one section at the expense of the others."--- in Corporate Governance what counts is the spirit and behaviour that a Corporate practices"[1]

Therefore, to make the entrepreneurial Ecosystem in India, it steps are taken for effective implementation of existing tax laws, Audit systems and transparency and disclosures, for global investment. In this direction, the Indian corporate regulator SEBI introduced the clause 49 in the standard listing agreement in February,2000, and revised at various intervals to tighten the corporate Governance to in listed companies. Department of Public Enterprises (DPE) also introduced and revised the guidelines on Corporate Governance, for both listed and unlisted Public Sector Enterprises in India.

REVIEW OF LITERATURE

Corporate Governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate Governance provides a principled process and structure through which the objectives of the company, the means of attaining the objectives and systems of monitoring performance also set. The impact of corporate governance goes beyond shareholders.

In Kautilya's Arthasastra' , it was said ," Power was the dominant reality. It was multidimensional, and its factors were interdependent. All elements in a given situation were relevant, calculable , and amenable to manipulation toward a strategic aims.

NEED FOR THE STUDY

Any business enterprise has a vital role to play in promoting economic development and social progress and acts as an engine of growth, both nationally and internationally, as it provides employment, goods, services, and infrastructure. The efficiency and accountability of the enterprise are no longer a matter of interest between its shareholders and the Board. The entire society is an interested party. It becomes a matter of public interest and thus comes onto the national agenda. Corporate governance guides corporate functioning such that there is an in-built mechanism of checks and balances.

The corporate law in India has currently witnessed, waves after waves of changes in relevant rules, regulations, introducing codes of conduct in several economic legislations by the Regulators which gives introduction of Corporate Governance, a mandate. The Indian corporate regulator SEBI introduced the clause 49 in the standard listing agreement in February, 2000, led to mandatory introduction of Corporate Governance and induction of independent directors on the Boards of Corporates as part of Corporate Governance. DPE Guidelines on corporate Governance were issued in 2007 for an experimental phase of one year. CPSEs have implemented these guidelines, which are voluntary in nature for the year 2008-09. The Government reviewed the subject in the light of experiences and the need to adopt good governance practices in CPSEs, decided to continue these guidelines on a mandatory basis with minor modifications. The revised Guidelines were issued in May, 2010. The regulators expected that this basic idea would find a solution among Corporates to win confidence of all its stakeholders, thereby ensuring required cooperation and assistance from them, to reap best performance results in Companies, particularly when they begin to treat the code, not as a mere measure of Administration but as a way of corporate life.The Amended provisions of Clause 49 as specified in circular dated 17/4/2014 are applicable with effect from 1/10/2014 except Clause 49 (II)(A)(1). As the financial reports for the year 2014-15 are to be approved by in 2015 winter sessions of the Parliament, the writer has taken the data relating to the year 2011-12 for the purpose of study.

OBJECTIVES

1. To ascertain the extent of implementation of corporate governance in terms of compliance and disclosures as per the provisions of the erstwhile Companies Act (1956), clause 49 of listing agreement (for listed PSEs), and DPE guidelines (2010) applicable to both listed and unlisted DPSEs.
2. To examine whether there is any relationship between corporate governance compliance and disclosures on one hand and the size and performance of DPSEs, on the other.

HYPOTHESES

Ho There is no significant relationship between corporate governance compliance and disclosures and size of Share capital.

Ho There is no significant relationship between corporate governance compliance and disclosures and size of sales.
Ho There is no significant relationship between corporate governance compliance and disclosures and size of value added.
Ho There is no significant relationship between corporate governance compliance and disclosures and size of Net worth
Ho There is no significant relationship between corporate governance compliance and disclosures and size of Earnings per share.
Ho There is no significant relationship between corporate governance compliance and disclosures and size of Book value per share.
Ho There is no significant relationship between corporate governance compliance and disclosures and size of capital employed.
Ho There is no significant relationship between corporate governance compliance and disclosures and size of Man power.
Ho There is no significant relationship between corporate governance compliance and disclosures and size of the Board
Ho There is no significant relationship between corporate governance compliance and disclosures and number of independent directors.
Ho There is no significant relationship between corporate governance compliance and disclosures and listing status.
Ho There is no significant relationship between corporate governance compliance and disclosures and holding of subsidiaries
Ho. There is no significant relationship between corporate governance compliance and disclosures and holding of Joint ventures.

METHODOLOGY

A corporate governance disclosure index is developed to measure corporate governance disclosure practices. It is based on the applicable laws for the year 2011-12 with reference to listed and unlisted Defence Public sector Enterprises in India. The total number of compliance and disclosures as per the applicable laws are 105. Check list of transparency and Disclosure compliances given in an appendix. As the information relating to DPSEs is sensitive in nature, individual score of each DPSE is not disclosed.

CALCULATION OF THE CORPORATE GOVERNANCE COMPLIANCE AND DISCLOSURES SCORE (CGCDS)

Total number of DPSEs is 8 and their CGCDS was ascertained as follows:
If the Compliance and Disclosure is met the Score would be = 1
If the Compliance and Disclosure is not met the Score would be = 0
In case any Compliance and Disclosure is not applicable the Score would be = NA
CGCDS in percentage = (Actual score / Total score) x100
Actual score = Actual number of compliances and disclosures.
Total Score = 105 Less in applicable items (as indicted above)]
Each Compliance and Disclosure carries 1 score

Keeping in view of objectivity aspect, unweighted scores have been assigned to items of information. Using an unweighted score permits an analysis independent of the perception of users(VK Sareen and S Chander).

Statistical Analysis: The data is analyzed for examining the relationship between CGCDS and each independent variable individually and collectively by using the following statistical tools, through MS Excel and SPSS packages.

Performance variables selected to study their impact on corporate governance in DPSEs:
Thirteen independent performance variables are considered. They are paid up share capital, sales, value-added, net worth, earnings per share, book value per share, capital employed, manpower, Board size, number of independent directors, listing status, number of subsidiaries and number of joint ventures.

FIRMS' ATTRIBUTES AND EXTENT OF CORPORATE GOVERNANCE DISCLOSURES

1. PAID- UP SHARE CAPITAL AND CGCDS

Three class intervals were constructed by using the amount of Paid up share capital. Table- revealed the lowest mean CGCDS at 89.5 percent was in respect of DPSEs with paid-up capital ranging from Rs. 150 – Rs. 225 crores. Highest 2.37 percent coefficient of variation was in the class interval where the paid up share capital was between Rs.75–Rs. 150 crores. It indicated that CGCDS was unrelated to paid up share capital.

TABLE 1: PAID-UP SHARE CAPITAL AND CGCDS

Paid up share Capital Crores (Rs.)	∑CGCDS	n	Mean ∑CG CDS/n	Standard Deviation	CV=SD/Mean percent
<75	181	2	90.5	2.12	2.34
75-150	368	4	92.0	3.56	3.87
150-225	179	2	89.5	2.12	2.37
Total	728	8	91	3.12	3.43
Total indicated- N=8; combined mean,= 91; Combined SD= 3.12 and Combined CV= 3.43 percent.					

2. SALES AND CGCDS

Table 2 revealed that the lowest mean CGCDS 89 and highest coefficient of variation 2.42 percent was in the class interval with sales Rs 0-2000 crores and highest mean, 94.5 and lowest coefficient of variation 0.75 in class interval with sales more than Rs. 4000 crores. Hence, DPSEs with high sales have better CGCDS.

TABLE 2: SALES AND CGCDS

Sales Crores (Rs.)	∑CGCDS	n	Mean ∑CGCDS/N	Standard Deviation	CV= SD/ Mean percent
< 2000	356	4	89	2.16	2.42
2000-4000	183	2	91.5	0.71	0.78
>4000	189	2	94.5	0.71	0.75
Total	728	8	91	2.78	3.05
Total indicated - N= 8; Combined Mean = 91; Combined SD= 2.78 and Combined CV=3.05 percent.					

3. VALUE ADDED

Table-3 showed that 88 was lowest mean CGCDS and highest CV 1.14 percent, in case of DPSEs with value added less than Rs. 450 crores and 93.67 was the maximum mean and 1.63 CV for DPSEs with value added more than Rs.900 cores. Therefore, DPSEs holding higher 'value added' indicated better CGCDS.

TABLE 3: VALUE ADDED AND CGCDS

Value added Crores (Rs.)	∑CGCDS	N	Mean ∑CGCDS/N	Standard Deviation	CV=SD/Mean percent
0-450	264	3	88	1	1.14
450-900	83	2	91.5	0.71	0.78
>900	281	3	93.67	1.53	1.63
Total	728	8	91	2.74	3.01
Total indicated - N=8; Combined Mean =91; Combined SD= 2.74 and Combined CV=3.01 percent.					

4. NET WORTH

Three class intervals were constructed by using the amount of Net worth. Table- 4 showed that 89 was lowest CGCDS and maximum CV 2.43 percent was in case of DPSEs in class interval with Net worth less than Rs. 1500crores as compared to 94.5 highest mean CGCDS and lowest CV 0.76 percent for DPSEs with net worth greater than Rs. 3000crores. This indicated that DPSEs with highest mean CGCDS and lowest CV had better CGCDS.

TABLE 4: NET WORTH AND CGCDS

Net worth Crores (Rs.)	∑CGCDS	n	Mean ∑CGCDS/N	Standard Deviation	CV= SD/Mean percent
0-1500	356	4	89	2.16	2.43
1500-3000	183	2	91.5	0.71	0.78
>3000	189	2	94.5	0.71	0.76
Total	728	8	91.0	2.78	3.05
Total indicated - N=8; Combined Mean = 91; Combined SD= 2.78 and Combined CV=3.05 percent.					

5. EARNINGS PER SHARE

Table -5 Showed that the least mean CGCDS of 89 with 2.25 percent coefficient of variation in case of DPSEs with earnings per share Rs.20-40 per and highest mean CGCDS 94.5 and least coefficient of variation of 0.75 percent were greater than Rs. 40 per share. It indicated that DPSEs paying higher dividend had higher CGCDS.

TABLE 5: EARNINGS PER SHARE AND CGCDS

Earnings per share Rs.10 (Face value)	∑CGCDS	n	Mean = ∑CGCDS/N	Standard Deviation	CV=SD/Meanpercent
<20	272	3	90.7	2.31	2.55
20-40	267	3	89.0	2	2.25
>40	189	2	94.5	0.71	0.75
Total	728	8	91.0	2.87	3.15
Total indicated - N=8; Combined Mean =91; Combined SD= 2.87 and Combined CV=3.15 percent.					

6. BOOK VALUE PER SHARE

Table-6 Showed that 89.5 and 2.66 percent were minimum mean CGCDS and maximum CV disclosures respectively, in case of DPSEs with book value less than Rs 100. 94.5 maximum mean CGCDS and 0.75 percent minimum CV compliances and disclosures in case of DPSEs holding book value greater than Rs. 600 at face value of Rs.10 per share. It indicates that DPSEs with higher book value per share have higher CGCDS.

TABLE 6: BOOK VALUE PER SHARE AND CGCDS

Book value per share Rs.10 (Face value)	∑CGCDS	N	Mean = ∑CGCDS/N	Standard Deviation	CV= SD/Mean Percent
<100	358	4	89.5	2.38	2.66
100-600	181	2	90.5	2.12	2.34
>600	189	2	94.5	0.71	0.75
Total	728	8	91	2.85	3.13
Total indicated- N=8; Combined Mean =91; Combined SD= 2.85 and Combined CV=3.13 percent.					

7. CAPITAL EMPLOYED

Table -7 Showed that 89 and 2.43 percent were lowest mean CGCDS and highest coefficient of variation disclosures respectively, for DPSEs with capital employed less than Rs.1000 crores. Highest mean CGCDS of 94.5 and lowest coefficient of variation of 0.75percent were at capital employed greater than Rs.3000 crores. It showed that DPSEs with higher capital employed had better CGCDS.

TABLE 7: CAPITAL EMPLOYED AND CGCDS

Capital employed Crores Rs.	∑CGCDS	N	Mean ∑CGCDS/N	Standard Deviation	CV = SD/Mean percent
<1000	356	4	89.0	2.16	2.43
1000-3000	183	2	91.5	0.71	0.78
>3000	189	2	94.5	0.71	0.75
Total	728	8	91.0	2.78	3.05
Total indicated - N=8; Combined Mean =91; Combined SD =2.78 and Combined CV= 3.05 percent.					

8. MAN POWER

Three Class intervals were constructed by using Man power. Table 4.14 showed that 88.5 was lowest mean CGCDS in case of DPSEs with Man power less than 2000 employees as compared to 93 highest mean of DPSEs with greater Man power of more than 4000 employees. Therefore, DPSEs with lager number of employees had higher CGCDS.

TABLE 8: MAN POWER AND CGCDS

Man power (Number)	∑CGCDS	n	Mean ∑CGCDS/N	Standard Deviation	CV= SD/Mean percent
<2000	177	2	88.5	0.71	0.80
2000-4000	179	2	89.5	3.54	3.96
>4000	372	4	93	1.83	1.97
Total	728	8	91.0	3.01	3.30
Total indicated- N=8, Combined Mean=91; Combined SD=3.01and Combined CV= 3.30 percent.					

9. BOARD SIZE

Table-9 showed that 89 was the lowest mean CGCDS in case of DPSEs, that had up to10 directors on Board. DPSEs, which consisted of directors in between 10 to 17, had highest mean CGCDS of 93 and the lowest coefficient of variation of 1.97 percent. Therefore, DPSEs with larger Boards had better CGCDS.

TABLE 9: BOARD SIZE AND CGCDS

Board size (Number)	∑CGCDS	N	Mean ∑CGCDS/N	Standard Deviation	CV= SD/Mean percent
0-10	356	4	89	2.16	2.43
10-20	372	4	93	1.83	1.97
Total	728	8	91	2.83	3.10
Total indicated- N=8, Combined Mean=91; Combined SD=2.83 and Combined CV= 3.10 percent.					

10. NUMBER OF INDEPENDENT DIRECTORS ON THE BOARD

Table – 10 showed that 89.4 and 2.32 percent were the lowest mean CGCDS and highest coefficient of variation in case of DPSEs with less than five independent directors on the Board. The DPSEs that had more than five independent directors had maximum CGCDS mean of 93.7 and 1.63 percent coefficient of variation. Therefore, higher the strength of independent directors in the Board, greater would be the CGCDS.

TABLE 10: NUMBER OF INDEPENDENT DIRECTORS ON THE BOARD AND CGCDS

Independent directors (Number)	∑CGCDS	N	Mean ∑CGCDS/N	Standard Deviation	CV=SD/Mean percent
0-5	447	5	89.4	2.07	2.32
5-10	281	3	93.7	1.53	1.63
Total	728	8	91.0	2.80	3.07
Total indicated- N=8, Combined Mean=91; Combined SD=2.80 and Combined CV= 3.07percent.					

11. LISTING STATUS

The main idea of the disclosure of corporate information is that it reduces the information asymmetry between managers and shareholders and lowers its risk. All listed DPSEs are required to follow compliances and disclosures as per as per Clause 49 of Listing Agreement (Mandatory). DPE guidelines, 2010 are applicable for both listed and unlisted DPSEs. Of the eight DPSEs under study, two DPSEs are listed and six DPSEs are unlisted. Two class intervals were constructed by using listing status for analysis.

Table 11 showed that 90.2 was the lowest mean CGCDS and highest coefficient of variation 2.64 percent in case of unlisted DPSEs, whereas highest mean CGCDS and lowest coefficient of variation in case of listed DPSEs. It revealed that listed DPSEs showed better CGCDS.

TABLE 11: LISTING STATUS AND CGCDS

Listing status	∑CGCDS	n	Mean ∑CGCDS/N	Standard Deviation	CV= SD/Mean percent
Listed	187	2	93.5	2.12	2.27
Unlisted	541	6	90.2	2.64	2.93
Total	728	8	91.0	2.9	3.19
Total indicated- N=8, Combined Mean=91; Combined SD=2.9 and Combined CV= 3.19 percent.					

12. SUBSIDIARY COMPANIES

Of the eight DPSEs, two DPSEs (BEL and BEML) had subsidiary companies. Two class intervals were constructed by using subsidiary companies for analysis.

Table - 12 showed that DPSEs with no subsidiaries had 90.17 lowest mean CGCDS and maximum coefficient of variation 2.93 percent in CGCDS. DPSEs holding subsidiaries had highest mean CGCDS 93.5 with least coefficient of variation 2.27 percent. Therefore, DPSEs holding subsidiaries showed higher CGCDS.

TABLE 12: STATUS OF HOLDING SUBSIDIARIES AND CGCDS

Status of holding Subsidiaries	∑CGCDS	N	Mean ∑CGCDS/N	Standard Deviation	CV= SD/Mean percent
Yes	187	2	93.5	2.12	2.27
No	541	6	90.17	2.64	2.93
Total	728	8	91.0	2.90	3.19
Total indicated-. N=8, Combined Mean=91; Combined SD=2.9 and Combined CV= 3.19 percent.					

13. STATUS OF HOLDING JOINT VENTURES

Of eight DPSEs, five DPSEs had joint ventures. Two class intervals were constructed by using status of joint ventures for analysis. Table -13 Showed that 89 was the lowest mean CGCDS and 2.65 percent highest coefficient of variation in CGCDS in case of DPSEs with no joint ventures as compared to 92.2 highest mean CGCDS and 2.38 percent lowest coefficient of variation of DPSEs with joint ventures. DPSEs holding joint ventures showed better CGCDS.

TABLE 13: STATUS OF HOLDING JOINT VENTURES AND CGCDS

Status of joint ventures	∑CGCDS	N	Mean ∑CGCDS/N	Standard Deviation	CV=SD/Mean percent
Yes	461	5	92.2	2.38	2.59
No	267	3	89	2.65	2.98
Total	728	8	91	2.93	3.22
Total indicated - N=8, Combine Mean=91; Combined SD=2.93 and Combined CV= 3.22 percent.					

14. CORRELATION BETWEEN THE INDEPENDENT PERFORMANCE VARIABLES OF DPSES AND CGCDS

Co-relation analysis gives an idea about the degree and direction of relationship between the performance variables of DPSEs and the CGCDS. Thirteen independent performance variables such as paid up share capital, sales, value added, net worth, Earnings per share, book value per share, capital employed, man power, Board size, number of independent directors on the DPSE Board, listing status, holding of subsidiaries and holding joint ventures, were the independent variables considered to examine correlation between these variables and CGCDS. The co-relation matrix given in the table 14 revealed the following results.

TABLE 14: INDEPENDENT PERFORMANCE VARIABLES OF DPSES AND CGCDS
CORRELATION MATRIX

	CG	SC	Sales	VD	NW	EPS	BV	CE	MP	BS	ID	Li sting	Subsidiaries	JV
CG	1													
SC	-.192	1												
Sales	.683	-.03	1											
VD	.583	.012	.979	1										
NW	.752	-.078	.982	.936	1									
EPS	.649	-.056	.961	.941	.979	1								
BV	.800	-.429	.857	.763	.896	.826	1							
CE	.738	-.085	.992	.953	.997	.974	.897	1						
MP	.676	-.009	.983	.976	.941	.911	.813	.960	1					
BS	.820	-.310	.830	.734	.828	.716	.937	.845	.840	1				
ID	.773	-.397	.591	.456	.607	.452	.843	.621	.595	.932	1			
Listing	.546	-.506	.152	-.020	.225	.060	.585	.221	.123	.633	.859	1		
Subsidiaries	.546	-.506	.152	-.020	.225	.060	.585	.221	.123	.633	.859	1	1	
Joint ventures	.586	-.374	.499	.412	.519	.473	.675	.526	.526	.699	.651	.447	.447	1

Twelve independent performance variables showed a positive strong correlation with CGCDS These variables were the size of independent such as sales(.683), value added (.583), Net worth (.752) , EPS per share value at Rs.10 (.649), Book value per share of Rs. 10 (.8),Capital employed (.738), Man Power (.676), Board size(.820), Independent directors on the Board (.773), Listing status (.546), No. of subsidiaries (.546) and Joint Ventures (.586) indicate the positive strong correlation with CGCDS, as their correlation is greater than 0.5. There was no correlation between size of share capital and corporate governance compliance and disclosures.

15. LINEAR REGRESSION

Linear regression model was applied for each independent variable to study its impact on CGCDS. CGCDS was the dependent variable whose value is influenced by the independent performance variables of DPSEs. The linear regression results were as shown in the table 15 given below.

Linear regression of Y on X where Y is dependent variable and X is an independent variable.

Y = a + bx

15: REGRESSION RESULTS - INDEPENDENT PERFORMANCE VARIABLES OF DPSES AND CGCDS

Sl. No	Independent Variables	R	R^2	F	t	P
1	Share Capital	.192	0.037	.230	-.479	.649
2	Sales	.683	.466	5.238	2.289	.062
3	Value added	.583	.340	3.094	1.759	.129
4	Net worth	.752	.565	7.798	2.793	.031
5	EPS	.649	.422	4.375	2.092	.081
6	Book value per share	.800	.641	10.695	3.270	.017
7	Capital employed	.738	.545	7.197	2.683	.036
8	Man power	.676	.457	5.047	2.247	0.66
9	Board size	.802	.642	10.782	3.384	.017
10	Number of IDs	.733	.538	6.986	2.643	.038
11	Listing	.546	.298	2.542	1.594	.162
12	Subsidiaries- holdings	.546	.298	2.542	1.594	.162
13	Joint Ventures	.586	.343	3.130	1.769	.127
Note:- Values of T significant at 5percent.d1 =1, d2 =6, Critical value is 5.99.						

Linear regression model was applied for each independent performance Variable, to study its impact on CGCDS., seven independent performance variables such as sales, Net worth , Book value per share, capital employed, man power, Board size and Number of independent directors showed 'R' greater than 0.5 which indicated a stronger positive relationship between such variable and CGCDS. It indicated that out of the total variation in CGCDS, more than 50% of such variation is caused by the independent performance variable. In the linear regression analysis six independent performance variables showed 'p' value less 0.05 at 5% significance level. It indicated that such variables had a significant impact on CGCDS, based on the size of such variable.

FINDINGS

The present analysis indicated that all the eight DPSEs had CGCDS ranging in between 87 percent to 95 percent. independent performance variables were in the lowest class interval and had the lowest mean CGCDS with highest coefficient of variation for smaller size of said variables of DPSEs. Similarly, the larger size of variables was in the highest class interval and had highest mean CGCDS with lowest coefficient of variation. Size of performance independent variables such as Sales, value added, Net worth, Earnings per share, Book value per share, Capital employed, Man power, Board Size, number of independent directors, listing status , subsidiaries and joint ventures showed a positive relationship and significant impact on corporate governance compliance and disclosures score (CGCDS) of DPSEs in India. Share capital of DPSEs had neither positive relationship nor significant impact on its CGCDS. The specified independent performance variables selected, to study its impact collectively on CGCDS showed a positive but insignificant impact on corporate governance compliance and disclosures score of DPSEs, in India. Corporate Governance is an ethical attitude. Defence PSEs are adopting core values of corporate governance such as transparent business operations, accountability, focus on teamwork, leadership, innovation, integrity, customer focus, respect for people, improved performance, community welfare, and fair dealings with stakeholders. The findings revealed that, with respect to compliance and disclosures, there is good governance in all DPSEs. However, there is a room for improvement in the spirit of corporate governance practices, so that corporate governance is adopted both in letter as well as in spirit, in spite of business compulsions in the present day competitive environment.

LIMITATIONS OF THE STUDY

It is a small sample size of eight DPSEs in India. The CGCDS has been constructed based review of literature relating to the guidelines on corporate governance applicable to DPSEs for the year 2011-12. The findings of the study may be affected with changed clauses of 49 of listing agreement in 2014 and guidelines of DPE.

SCOPE FOR FURTHER RESEARCH

- There is a need to extend understanding of governance issues beyond economic and financial perspectives to embrace strategy and knowledge dimensions as well as contextual issues in DPSEs.
- Whether a separate set of corporate governance guidelines are required for loss making or financially weak Public Sector Enterprises which would help their revival or safe closure. If so, what would be the modalities.

CONCLUSION

Good corporate governance is an ethical culture and behavior which need to be inculcated by persons on their own but cannot be legislated. It is a set of dynamic practices which need to be continually upgraded and new practices need to be evolved. The success of corporate governance depends upon the level of open mindedness in corporates.

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APPENDIX

CORPORATE GOVERNANCE COMPLIANCE AND DISCLOSURES SCORE

A corporate governance disclosure index was developed in order study the compliance and disclosures position of DPSEs as on 31st March, 2012 by based on mandatory disclosures that are applicable to listed and unlisted CPSEs issued by SEBI under clause 49 of listing agreement, DPE guidelines, 2010 and under section 217 (2AA) of companies Act, 1956. The criteria for

I. GENERAL INFORMATION

1.Brief statement on company's philosophy of corporate Governance;2. Date, time and Venue of AGM; 3. Financial Year; 4. Date of Book closure; 5. Dividend payment Date; 6. Listing on Stock Exchange; 7. Stock Code; 8. Market price data for each month of last financial year; 9. Performance in comparison to Broad based indices;

10. Registrar and Transfer Agent -Address, Phone, Fax. Email; 11. Share transfer system / Dematerialsation and liquidity; 12. Top 10 Shareholders; 13. ategories of stock holding as per the format prescribed as per clause 35 of Listing agreement; 14. Changes in share capital during the financial year; 15. Outstanding GDRs/ ADRs/ Warrants; 16. Convertibles/Repayment, conversion/repayment date and likely impact on equity; 17. Plant location; 18. Special Resolution put through postal Ballot in the last financial year; 19. Material and financial transactions by Management where they have personal interest; 20. Non- compliance by company or penalties imposed or/ and strictures passed on the company or information not received by Stock exchanges/SEBI/Statutory Authorities/DPE on any matters during the last three financial years.

II. MANAGEMENT DISCUSSION ANALYSIS

21. Industry structure & Developments; 22. Opportunities and threats; 23. Outlook; 24. Material developments in Human Resources/ Industrial Relations front, including number of people employed ; 25. Risks & concerns; 26. Internal control systems and adequacies; 27. Discussion on financial performance with respect to operational performance; 28. Product Disclosure about segment wise information- financial as well as operating details ; 29. Details of R&D , restructuring etc ; 30. Reporting on conciliation of accounts with GAAP (if Applicable) or other Indian accounting standards; 31. Company Website and e-mail; 32. Name, Address and contact number on compliance officer; 33. Status of Projects announced/ approved/ Money realized.

III. DISCLOSURES ABOUT SHAREHOLDER' RIGHTS AND RELATIONSHIPS - PROVISION OF INFORMATION RELATING TO DIRECTORS PROPOSED TO BE APPOINTED/ RE-APPOINTED

34. Brief resume of the person; 35. Nature of expertise in specified functional areas 36.Names of the companies in which he/ she holds directorship and committees membership; 37. Shareholding of Non-executive Directors of the Company; 38. Whether company has conducted any survey etc. to know the level of shareholders' satisfaction; 39. If yes, what has been the method of survey- i.e. 1. Interview method 2. Questionnaire method.

IV. BOARD OF DIRECTORS

Composition of the Board- Functional directors+ Part-time official Director and Part time Non- official Directors. 41. Independent Directors- Part-time Govt + Part time Non- official Directors-50% of the board; 42. Policy for the appointment of Independent Directors; 43.Disclosure about the background of Independent Directors; 44. Part-time Directors compensation and disclosures; 45. Training for New Board Members; 46. Diversity in terms of mix of skills needed for the proper functioning of the Board; 47. Review of compliance laws; 48. Leave of absence is recorded for every Board meeting, in case of inability expressed by directors to attend the meeting due to unavoidable reasons; 49. Code of conduct- Directors & senior Mgt. and employees- Compliance; 50. Functional Role Clarity between Board of Directors and Management.

V. FUNCTIONING OF BOARD AND BOARD COMMITTEES

51. Number of Board Meetings- Minimum 4 meetings-& gap between any two meetings shall be less than three months ; 52. Dates of Board meetings form part of CG Report53. Attendance of Directors Form Part of CG Report; 54. Whether company secretary is the compliance officer of the company; 55. Whether company has posted the code of conduct on its Website.

VI. AUDIT COMMITTEE

56. Constitution of Audit committee; 57. No. of Audit committee meetings held- Minimum 4 meetings-& gap between any two meetings shall be less than four months; 58.Quorum of Audit Committee meetings is Two/ one third of the Total strength of the committee- Complied; 59.Chairman/ Chair person of Audit committee is an Independent Director ; 60. Leave of absence is recorded for every Audit meeting, in case of inability expressed by directors to attend the meeting due to unavoidable reasons; 61.Details of attendance of Audit committee form part of CG Report; 62. Disclosure of Related Party transaction; 63. Statement of related party transactions submitted by management; 64.Presence of at least one Financial Expert the Audit committee; 65.Review of internal audit reports relating to internal control weaknesses; 66. Review of Certification of Financial statements by Chief Executive/ Chief Finance Officer; 67. Reviewing, with the Mgt. Quarterly Financial statements, before submission to the board for approval; 68. The appointment and removal of Chief internal Auditor; 69. Review of material individual transactions with related parties or others which are not on an arm's length basis; 70. Review of Management discussion and analysis of financial condition and results of operations

VII REMUNERATION COMMITTEE

71. Constitution of Remuneration Committee; 72. Chairman/ Chair person of Remuneration Committee is an Independent Director; 73. All the elements of Salary Benefits Bonus, Pension (i.e. variable and not performance linked remuneration package of Board members disclosed in Annual Report; 74. Details of fixed component and performance linked incentives along with performance criteria; 75. Service Contacts, notice period, Severance Fees; 76. Stock option Details- Issued at discount, period over which Accrued and over which exercisable.

VIII SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

77. Constitution of shareholders'/ investors' grievance Committee; 78. Independent Directors in Shareholders'/ investors' grievance Committee; 79. Complaints received and resolved during the year.

IX CORPORATE SOCIAL RESPONSIBILITY

80. Company's policy on corporate social responsibility; 81. Disclosure of initiatives taken by the company as part of corporate Social Responsibility.

X. SUBSIDIARY COMPANIES

whose turnover or Net worth is not less than 20% of the turnover or net worth of the respective holding company in the immediately preceding accounting year may be treated as subsidiary company; 82.At least one independent director on the Board of holding company shall be on the Board of its subsidiary; 83. Audit Committee of holding company shall review the financial statements of its subsidiary; 84. The minutes of the board meeting of the subsidiary company shall be placed at the Board meeting of holding company; 85. Review of Performance of Subsidiary by Board

XI DISCLOSURES

86. A statement of transactions with related parties in the normal and ordinary course of the business shall be placed before audit committee; 87. In the preparation of financial statements, a treatment different from that prescribed in accounting standard has been followed , the fact shall be disclosed in financial statements together with Management's explanation in Corporate Governance Report; 88. The Accounting standards as well as other transactions of the Institute of Chartered Accountants of India on accounting matters seek to prescribe the accounting principles and the methods of applying these in the preparation and presentation of financial statements so that they give *True & Fair* view; 89. Consolidated Financial statements of parent company, its subsidiaries, its associates , Joint ventures as an economic entity to show economic resources controlled by the group; 90. Segment wise profit & Loss A/c; 91. Board disclosures on risk Management

X. MEANS OF COMMUNICATION

92. Press; 93. EDIFAR; 94. Half yearly results sent to investor

XI. REPORT AND COMPLIANCE

95. Report on Corporate Governance as a part of Directors Report; 96. Compliance Certificate on Corporate Governance from practicing company secretary; 97. Chairman's speech in AGM & Annual Report; 98. Holding of AGM , Adoption of Audited Accounts and filling of adopted Accounts with the Registrar of

companies with in the stipulated time--- Months; 99. Submission of compliance Report on Corporate Governance i.e. within 15 days from the close of each quarter to respective Administrative Ministries / Departments; 100. Whether the price sensitive information to be made available to stock exchanges is given by the company's' website or EDFAR website; 101. Report on sustainable development

XII. DIRECTOR'S RESPONSIBILITY STATEMENT SECTION 217 (2AA)

102. Annual Accounts have been prepared in accordance with applicable accounting standards with proper explanation relating to material departures; 103. The selection and application of accounting policies by directors is consistent and prudent so as to give a true and fair view of the state of affairs of the company; 104. Proper and sufficient care has been taken by the directors for the maintenance of accounting records for safeguarding the assets of the company and for preventing and detecting frauds and irregularities; and 105. The Annual Accounts of the company are prepared on a 'Going concern' bases.

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